ALTERNATIVE BANKING CHANNELS AND PERFORMANCE OF COMMERCIAL BANKS IN NAIROBI CITY COUNTY, KENYA

Felix Omweri Motondi
Masters Student, Kenyatta University, Kenya
Hannah Bula (PhD)
School of Business, Kenyatta University, Kenya

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ABSTRACT

Commercial banks have employed alternative banking channels to reach out to more clients and lower operational costs. However, these channels have encountered a variety of challenges raising questions on the influence they have on performance. Persistent system downtimes, network failures, transaction errors, security concerns and lack of customer confidence have driven customers into seeking services in bank branches resulting to congested banking halls. The objective of this study therefore was to assess the influence of alternative banking channels on the performance of commercial banks in Nairobi City County, Kenya. The specific objectives of the study were to examine the influence of agency, mobile, internet and ATM banking on performance of commercial banks in Nairobi City County, Kenya. The theories that guided the study were; Bank Led Theory, Innovation diffusion theory, Agency theory, financial intermediation theory and the Resource based theory on performance. This study used descriptive survey research design. 188 respondents from all commercial banks operating in Nairobi City County was the target population of this study out of which a sample size of 94 respondents was selected through simple random sampling. Primary data was collected using a questionnaire. The supervisor helped ascertain validity of the instruments, whereas piloting was conducted to improve on instruments reliability. Quantitative data collected was classified, analyzed and coded. The expected parameters were calculated using the SPSS program as the main statistical tool. Descriptive statistics presented using charts, graphs and frequency percentages were used in measuring the central tendencies such as mean and standard deviation and reporting the data collected from the findings. Qualitative primary data was analyzed via thematic analysis. Apart from the inferential statistics like regression analysis, other forms of analysis such as ANOVA and correlation were used to determine the relationship between the study variables. The study found out that agency, mobile, internet and ATM banking have a positive influence on performance of commercial banks in Nairobi City county, Kenya. The study concluded that; agency banking investments and incomes favorably effect overall performance of banks. Mobile banking alerts assist customers to make informed choices benefitting banks on decreased cost of service delivery and enhanced consumer convenience. The payback duration of internet bank investments is lower than ten years and incomes gained favorably affect bank's performance. The use of ATMs has replaced labor intensive and paper-based banking methods leading to quicker access to services, convenience. This study recommended that Commercial banks continue offering alternative banking channels for improved efficiency and increased accessibility. The commercial banks need to review and have a variety of products and services available across the alternative banking channels to mirror those offered at branches. The study recommended that Commercial Banks should review the pricing models adopted to enable customers' access products and service on alternative banking channels affordably. In addition, more security features be adopted to ensure that the system is up to date with most current technology to avoid loss of funds for clients through illegal system accesses.

Key Words: *agency banking, alternative banking channel, ATM banking, internet banking, mobile banking, organizational performance, social media*

INTRODUCTION

Notable and drastic changes in the global economic set up have happened lately. Contextualized in the financial industry, the financial crises that occurred in 2008 have seen many changes being made in this sector. Financial institutions have at this time continued to evolve and prosper while sustaining their operations for the long run. They have tried keeping up with the changes in a dynamic business world especially those that impact on business productivity and performance (Adetunji, 2013). This has been in an effort to address strategic, regulatory and operational based challenges as asserted by Deloitte (2016). In this case, the world banking industry have at least transformed in the past 3 to 4 decades by increased use of notable systems including changes that allow for the effective use of these technologies. For the developed countries, their banking industry has been able to successfully reassess and realign their operating models through regulatory reforms, improving on their competitive dynamics to be in tandem with the dynamic markets and the needs of the stakeholders (Edet, 2008).

Many banks especially in developing economies have also taken a strategic approach and followed suit by adopting distribution channels, changing from the traditional front service to selling and marking their products electronically through mobile and online methods. The result is that, value has been created through the change of strategy to both customers and the banks (Guinaliu, 2013). Large successful banks have moved from the management of banking locations and channels to the management of services distributions through different channels. Most of these banks have more than one banking model used for services provision to customers. However, some models work better in one bank than the other. Further, most of the banks use the models that best work as for their target customers and ones that meet their objectives. Banker, Chen, Liu and Ou (2009) points out that the use of different models to provide services to banking customers can bring great benefits to the customers and the financial institutions if they are well executed.

Looking at the use of alternative banking strategies from the global view, many banks have adopted these strategies due to changes in technology and customer expectations. Since early years of 1990s many banks resulted to using alternative banking challenges. As noted by Aladwani (2011), the start of the use of alternative banking strategies started in Assyria, Egypt and Babylon. Christopher Thorton was the first banker to introduce and advertise ATMs in 1730 who in return for weekly payments, he would offer his furniture. During the 18th to 20th century tallymen would sell clothes in order to get weekly payments. One side of the stick was the debts that their customers owned, and the other side had the payments made. In the U.S around the 1920s there was the introduction of a buy now pay later method for shoppers.

In the African context, the banks have constantly changed with the times trying to keep up with the dynamic business environment. In an attempt to meet the demands of modern-day business and customer's needs, the banks have changed from the old operation models to new ones in order to maximize their returns while keeping their operations afloat. The banks have embraced technology in a bid to keep up with the changes in the banking business sector (San-Jose, Ituralde, and Maseda, 2009). Since usage of alternative banking methods while trying to reduce operational costs and optimize the services they offer, there has been increased adoption of the 24-7 provision of banking services allowing customers to enjoy convenience and freedom that comes with such methods. Further, customers' demands have changed with most seeking for convenience and availability of simple ways to access loans, instant deposits and knowledge of their account's status (Kohali, 2016). In Africa, online banking started in the 1990s and there has been slow adoption of this method in subsequent years. There are customers in some countries who would prefer to have instant banking services offered by online banking services to the conventional methods of banking as stated by a survey done by American Bankers Association in 2009 (ABA) (Adetunji, 2013).

Banks in Kenya use a combination of modern and traditional banking methods. In Kenya, mobile banking started recently but its growth has been on the rise (Chebii, 2013). Mobile phones were often used in the past to send, receive messages and calls. However, today the mobile phone is used by banks to provide their customers with banking services that include access to personal banking account, withdrawal and deposit of funds and in the future, it is said to provide customers with digital wallet services. Mobile banking came about due to the use of smart phones in the mobile industry in 2007. The Kenya M-PESA is an e-banking platform that uses mobile phones to allow customers to access banking services. This method has been taken up by all banks in Kenya which makes it the highest growing banking network in the country. Further, Kenyan banks have also embraced agency banking where businesses who have established businesses are contracted to provide banking services to customers at the local levels. For example, Kenya Commercial bank and cooperative bank have adopted KCB mtaani and Coop kwa jirani respectively. Equity banks agency banking is called Equity agents. The use of alternative banking channels has been successful and different banks have used them hence the need to find the effect they have on performance (Liu & Mithika, 2009). With almost every bank in Kenya enrolling the mobile banking method, mobile banking has been well received and implemented in Kenya (Musiega, 2014).

STATEMENT OF THE PROBLEM

Commercial banks serve as financial intermediaries as they are the link between customers and banking services. The banking sector is critical to the economy of Kenya and other global nations (Drigă, 2012). However, ICT advancements, changing social trends, Competition and globalization, have caused the banking sector to undergo persistent changes. Increased cost of operation has impacted commercial banks affecting their profitability (Loonam & O'Loughlin, 2008). Commercial Banks being profit oriented, have therefore embraced alternative banking channels as a key way of lowering operational costs. The adoption of alternative banking channels has faced various challenges which include persistent system downtimes and network failures, transaction errors, security concerns and lack of confidence by customers. These raises concerns on the impact these channels have on the performance. Wisdom (2012) also points out that although many banks have adopted alternative banking channels, the physical banking halls still experience high numbers of customers. For instance, the Equity bank has doubled over the counter withdrawal charges and still customers still go in large numbers to deposit and withdrawal their funds via the counter (Maungu, 2015). Although there are alternative banking channels, customers still visit bank branches. The argument given by Nedelescu and Stănescu (2012) is that if the alternative channels used by banks are not reliable, customers get the perception that the quality of service offered is low which lowers the banks credibility and profitability. The study therefore sought to deduce if alternative banking channels such as agency, internet and mobile banking affects the performance of commercial banks in Kenya. There are many studies done on alternative banking methods and their effects. However, most of them were done in western countries. For instance, Musiime and Malinga (2011) study looked into the internet banking method, customer adoption and satisfaction levels of this methods. According to the findings, a positive relationship exists between internet banking and the satisfaction levels of customers. Locally, Okun (2012) study looked at the impact deposits level had on the performance of Kenyan commercial banks. According to the study outcome there exists a favorable relationship between Deposits Ratio and ROE. Kamau (2014) research was on the impact of innovations in the financial industry on the performance of local commercial banks. The results indicated a significant effect of innovations on the performance of banks in Kenya. Okiro and Ndungu (2013) study covered the impact of mobile and internet banking on performance of financial institutions in Kenya and found out that mobile banking faces various challenges. The researcher was aware that there have been no extensive studies done on how alternative banking methods affects the performance of Kenyan banks which means a research gap exists in this area. This study therefore aimed at assessing the influence of alternative banking channels adoption on the performance of commercial banks in Kenya, specifically those operating in Nairobi City County.

OBJECTIVE OF THE STUDY

The general objective of this study was to assess the influence of alternative banking channels on the Performance of Commercial banks in Nairobi City County, Kenya.

THEORETICAL REVIEW

The study was anchored by five theories: The Resource Based Theory, Bank Led Theory, Innovation Diffusion Theory, Agency Theory and Financial Intermediation. The resource based view theory by Wernerfelt (1984) points out to the essential need of resources and how they impact on the overall strength of an organization. The theory was relevant to the study due to its suggestion that organizations with more resources can use them to create innovative ways to use more alternative banking channels for improved performance. This is the theory that is critically anchored on this study because it emphasizes on the need to enhance the performance of a firm by manipulating on the inputs which in this case are the alternative banking channels. The efficiency of the channels adoption and implementation would lead to the efficiency in commercial banks overall performance and vice-versa.

Bank Led Theory was postulated by Lyman, Ivatury and Stachen (2006) and emphasizes the role of contracted agent as a bridge between banks and the customers (Akhisar, Tunay & Tunay, 2015). The bank led theory was useful for this study as it looks at the use of retail agents by banks to deliver financial services to customers. This method if used efficiently can increase the rate of cash mobilization from customers and enhance financial inclusion especially in locations where physical banks are very far from the customers. Further, the result is that the bank gets more cash deposits which in the end lead to increased performance on the banks end (Barney, 2011). In this study the theory points out that, financial institutions are intermediaries between the banking services and customers which reduce the costs of accessing financial services. However, the retail agency model raises concern on security of the banking customers as the nonbanks outlets operate outside the banks regulatory guidelines and the regulatory guidelines provided for them may not emphasize on the agents doing a due diligence on the customers which can result to Counter-Terrorism Financing (AML/CFT) and money laundering risks.

Innovation diffusion theory attempts to explain the way innovations in our case alternative banking methods are used and successfully utilized in a system. Sevcik (2004) explains that adoption of an innovation takes a long time. The theory related to the study in assisting elaborate how aspects of innovation can be put in place to improve the performance of commercial institutions. If a banking firm considers the benefits that accrue from the use of alternative banking channels, they would adopt this innovation after considering factors such as availability of funds and tools to ease the adoption process.

The agency theory was developed by Jensen (1976). The theory looks at the relationship that exists between an enterprise and its agents. The main emphasis of the theory is a look at whether there is enough market mechanism that allows the agents to perform as expected by firm owners so as to maximize their returns. The theory was important as it reflects that there should be increased agencies for commercial banks to enhance performance. The theory looks at whether there is enough market mechanism that allows the agents to perform towards the goal and vision of the firm owners so as to maximize their returns. The theory explains that there may be challenges if there is no coordination between the banks and their alternative distribution channels. The bank vs agency relationship only needs to be monitored especially on the actions of the agency to retain the best consumers.

Financial intermediation theory by Mises (1912) argues that banks are financial intermediaries. They mobilize funds from clients who have excess money and loan this money to customers who are in need of extra funds. The bank benefits by getting interest from the loans. The theory was helpful in providing insights on how banks can improve their performance by creation of channels for clients to deposit money or even access loans easily. In turn, this makes it easier for customers to provide the bank with deposits and access loans improving the performance of the financial institution. This theory's strong points come from the fact that it gives us valid predictions on the contracts used by banks as intermediaries and therefore lays a foundation from which we can look at policy issues affecting the banks as an intermediary.

EMPIRICAL REVIEW

Agency Banking and Performance

Kiragu, Aduda and Ndwiga (2013) point out that the use of agents allows for the ease of congestion in banking halls as the agents are able to serve some customers at the local levels. Further agents are able to reach the unreached who are often found in hard to reach geographical locations. Banks often find it hard to reach the customers found in the rural areas especially the poor ones. They often have to incur high costs to set up branches in these areas as the number of customers and their frequency of transactions is very minimal making it impossible to cover the expenditure of operating a branch. However, agency banking uses existing businesses which reduces the setting up and operational costs and also ensures that most of the low-income earners are offered the banking services they need. Further, the low-income earners are more comfortable when they transact from their locality with people they know, compared to going to a commercial bank where they are not familiar with the banking rules and the people serving them. This leads to improved profits for the banks.

Kandie (2013) studied the impact agency outlets have on overall performance of institutions in Kenya. The results indicated a favorable association between agency banking and financial inclusion. The use of agency banking ensures that bank customers access banking services such as cash deposits and withdrawal of funds from the retail agents. Kithuka (2012) looked at the influencers of agency banking in Kenya. According to the outcome, the factors examined included management support, technology, charges and accessibility and were shown to influence usage of agency banking. Another study done by Waithanji (2012) examined how agency banking affected financial inclusivity in Kenya. The findings showed no relationship between agent banking concept and financial deepening. Kirimi (2011) examined the level to which agent banking has been adopted by Kenyan commercial banks. The results indicated that various banks have taken up this distribution channel but there lacked enough training on the agency banking.

From the reviewed studies, there is certainly a research gap on the area of agency banking especially when it comes to the effects it has had on the rural banking and the overall effect on the performance of banks (Waithanji, 2012; Kithuka, 2012). The research done provides data showing that agency banking allows banks to reach the underserved more so those found in the rural areas. However, this finding is still in dispute. The customers who use agency banking prefer them due to the extension of their business hours and convenience they offer.

Mobile Banking and Performance

Al-Jabri (2012) reviewed use of mobile banking using diffusion of innovation theory and the findings showed that banks that offer mobile support and provide a variety of services through mobile banking improve the perception of the quality of their services among customers and this leads to improved adoption. The research pointed out that to reduce customer information security risks, banks should provide guarantees to their customers on how they will protect their data. Further, they should carefully look into the customer complaints and deal with them urgently.

Banks use mobile banking to increase their reach to many customers and also in a bid to offer convenience to customers while improving their profitability by offering a variety of banking and wealth management services (Ginn, 2011). Application founds in smart phones and the alerts offered by banks to their mobile banking customers allow the customers make informed decisions and also enable the customers transact just like internet banking customers do. The online banking tools can be accessed by customers who use smart phones for their mobile banking services.

Although the reviewed studies point to the benefits that come with mobile banking both to the customers and the banks including the increase in convenience and the savings on costs and time. However, as recorded in a research study done by Mburu (2013) customers of mobile banking are still facing numerous challenges related to this distribution channel. The banks do benefit from the decreased operational costs and the increased reach of customers in hard to reach locations. However, there is still more to be studied as research does not provide the extent to which each bank performance benefits from the use of this channel which was the intent of this study.

Internet Banking and Performance

Ngubia (2017) study showed that online banking improves profitability of banks as measured by return on equity. Further, internet banking increases the market share of a bank as it attracts new customers and improves the service quality of the bank. The data from past studies shows that internet banking significantly affects banks performance. More attention has been put on internet banking by policy makers, regulators, law makers, bankers and participants of the financial services sector.

Munyoki (2013) points out that internet banking helps to attract and retain customers. This is because it provides numerous benefits including reducing operational costs, increased profits for banks and flexibility for banking customers. There some researchers that have studied internet banking and its relationship with policies made. However, despite the past studies done, there is still a gap when it comes internet banking which has led to the use of circumstantial evidence by bank managers and policy makers when it comes to internet banking matters (Karen et al, 2010). Internet banking reduces the costs of banks, the employees of banks, increases the commission income given to bank field employees and customer convenience in accessing bank services which in the ends leads to increased profitability. Compared to other banking methods, internet banking offers more customer convenience and flexibility (Essinger, 1999).

Internet banking allows customers to access banking services and makes it easier for customers to transact online (Essinger, 1999). But it is not yet been clarified on the ease of usage for certain features for this has not well elaborated in the research as that was the case of this study.

ATM Banking and Performance

As Nyangosiet.al (2009) notes, e-banking is also referred to as electronic fund transfer (EFT). It makes use of online and electronic means replacing the use of paper base banking and cheque books. EFT is made possible due to the use of cards or codes that enable the customer to authorize their access to their accounts. For most financial institutions debit cards, Personal Identifications Number (PINs) and ATMs allow for this access. There are some whose debit cards require a customer signature or a scan to authorize them to transact. For instance, there are some that make use of radio frequency identification (RFID) that can detect and scan the customer's data without necessary coming into contact with the customer. The transaction related to the use of this technology is covered by the federal Electronic Fund Transfer Act (EFT Act).

Although there is a lot of literature on the use of ATMs in developed nations, very little information is available on its use in developing nations. A study done by Nyangosiet al. (2009) showed that the use of ATMs was one of the earliest means of alternative banking methods used in Kenya. However, data from CBK, 2008 show that ATMs usage has been suppressed by mobile banking since most of the customers including those in the rural areas are able to have a mobile phone which is not the case for AYTMs as most of them are found in cities. This has led to more mobile banking use even in rural areas compared to the use of ATMs.

MATERIALS AND METHOD

Research Design

A descriptive design was adopted for the study. Descriptive research provides information as to when, where, who, what and how they are linked to specific research questions. This research design assisted provide data about the influence of alternative banking channels on performance of commercial banks in Nairobi City County, Kenya.

Target Population and Sampling

By the end of December 2018, there were 47 commercial banks in Kenya (Kenya Bankers Association, 2019). The study targeted different levels of employees in each of the 47 commercial banks targeting CEO, and a respondent from corporate, functional, and business levels who were given the research instruments. The total target population was 188 respondents. 50% of respondents from each of the stated categories, were selected using simple random sampling technique. The study therefore used 94 respondents as the sample size using simple random sampling technique.

Data Collection Instruments

The research tool for this research was a questionnaire that helped get primary data. The questionnaire had both open and close ended questions. This study collected secondary data on performance measures for the listed commercial banks based on profitability in the audited financial outcomes, market share/customer base, customer satisfaction ratings, Assets growth and reduction in cost. These were obtained by downloading from the CBK's website as well as from the individual bank's website in the last five-year period from 2013-2018.

Data Analysis

Quantitative and qualitative methods were used to analyse the data collected in this study and put together to reflect the final findings and interpretations. Descriptive statistics were projected using charts and graphs. The frequency percentages were equally applied to measure the central tendencies as well as providing a report on data collected. Qualitative primary data was analysed via thematic analysis. Apart from the inferential statistics like regression analysis, other forms of analysis such as ANOVA and correlation were used to identify the relationship between the dependent and the independent variables. This study employed a multiple linear regression analysis using agency banking, mobile banking, Internet banking and ATM banking as the independent variables and performance of commercial banks as the independent variable respectively.

$$\mathbf{Y = m_0+m_1V_1+ m_2V_2+ m_3V_3+ m_4V_4+ \varepsilon,}$$

Where: **Y**= Performance of Commercial Banks; $\mathbf{m_0}$= Intercept; $\mathbf{V_1}$= AG Agency Banking; $\mathbf{V_2}$= MB Mobile Banking; $\mathbf{V_3}$= IB (Internet Banking); $\mathbf{V_4}$=ATM ATM (Banking); $\mathbf{m_1, m_2, m_3}$ and $\mathbf{m_4}$ are the coefficients of the regression; ε= the error Term

RESEARCH RESULTS

Agreement level on the influence of Agency Banking on performance of the Commercial Banks

The respondents were required to indicate their level of agreement with provided statements on the influence of agency banking. Majority of the respondents were in agreement that; agency banking investments payback duration is lower than 3 years and hence improved performance for the bank as shown by a mean score of 4.27, the employed agency model has a well-structured and detailed list of services and products offered as shown by a mean score of 4.07, agency banking incomes have positively contributed towards the overall growth in the bank performance as shown by a mean score of 4.05, the management has a deep understanding and focus in resolution of agency banking issues in the organizations as shown by a mean score of 4.05, the agency banking adopted involves selling more products or services to prioritized customers at a faster rate as shown by a mean score of 4.05, there is a policy guideline related to agency banking activities adopted by the organizations which improves the overall performance reflected by a mean score of 4.01 and that; agency banking leads to lower operational costs and improved bank performance as reflected by a mean score of 3.9 respectively. The findings concur with those by Kiragu, Aduda and Ndwiga (2013) who pointed out that the use of agents allows for the ease of congestion in banking halls as the agents are able to serve some customers at the local levels. Further agents are able to reach the unreached who are often found in hard to reach geographical locations.

Agreement levels on the Mobile Banking adopted by respective Commercial Banks in Kenya

Respondents were asked to provide their level of agreement with the mobile banking adopted. According to the question, majority as reflected by 58% were satisfied about the mobile banking adopted by their respective commercial banks in Kenya, 14% were very satisfied, 11% were undecided, 14% were dissatisfied, whereas 3% were very dissatisfied. This was an implication that the staffs understanding with relation to mobile banking and associated aspects were being done in the right way.

Agreement level on influence of Mobile Banking on performance of the Commercial Banks

The researcher sought respondents' level of agreement on the influence of Mobile Banking as depicted by the results in the table below. Majority of the respondents agreed that; Alerts given by mobile phones and smart phone apps assist customers to make informed choices as shown by a mean score of 4.14, there is a guiding policy in place for mobile banking related activities ensuring the overall growth indicated by a mean score of 4.14, through use of mobile banking, this commercial bank has benefited from the decreased cost of delivery of services to their clients as shown by a mean score of 4.08, mobile banking has enhanced consumer convenience for one can access the services and products anywhere in Kenya as shown by a mean score of 3.85, mobile banking gives banks access to hard to reach locations while at the same time enabling in improving customer convenience as shown by a mean score of 3.83, the management understands and resolves well on mobile banking as reflected by a mean score of 3.83, mobile banking has enabled elimination of location related challenges to enable accessibility to banking services as shown by a mean score of 3.76, and that; the mobile banking approach adopted is centered on cross selling more products or services to identified and prioritized customers at a faster rate as shown by a mean score of 3.7 respectively. According to the literature reviewed and despite the positive responses on benefits of the mobile banking alternative banking channel use, Mburu (2013) still reported that customers of mobile banking are still facing numerous challenges related to this distribution channel. The banks do benefit from the decreased operational costs and the increased reach of customers in hard to reach locations.

Agreement level on the Internet Banking adopted by the Commercial Banks

The researcher sought to determine the respondents' levels of agreements with the internet banking adopted. As found out, 51% of the respondents were satisfied with the with the internet banking adoption by their commercial banks, 14% were dissatisfied, 14% were undecided, 17% said they were very satisfied whereas 3% were very dissatisfied Respondents with the internet banking adopted by the commercial banks. This was an implication that the staffs understanding, internet banking and associated aspects were being done in the right way.

Agreement level on influence of Internet Banking on performance of the Commercial Banks

The researcher sought respondents' level of agreement on influence of internet banking on performance of Commercial Banks. Majority were in agreement that; the staff believe that sales by the bank are driven by the essence of internet and social media platforms as shown by a mean score of 4.1, there is a in policy in place guiding internet banking activities adopted and ensuring overall performance growth reflected by a mean score of 4.1, internet banking reduce the costs of operations and improves the banks performance as reflected by a mean score of 4.07, the payback duration of internet bank investments is lower than ten years hence improved the performance for the bank as shown by a mean score of 4.06, incomes deduced from internet banking favorably affects bank's performance as shown by a mean score of 4.05, The management has visibility and a deep understanding of all Internet banking related issues in the bank and is in the forefront in ensuring timely resolutions as reflected by a mean score of 4.04 and that; the Internet banking approach put in place is centered on targeted cross selling of more products and services to identified and prioritized customers at a quicker rate as reflected by a mean score of 4.03 respectively. The results concur with the projections that the use of internet banking reduces the costs of banks, the employees of banks, increases the commission income given to bank field employees and customers' convenience in accessing services which in the end leads to increased profitability. Compared to other banking methods, internet banking is more flexible and convenient for the customer (Karen et al, 2010).

Satisfaction level on the ATM Banking adopted by their respective Commercial Banks

The Figure 4.6 below depicts findings on respondent's level of satisfaction with the ATM banking adopted by their respective commercial banks. As per the results, majority of the respondents 54% were satisfied with the ATM banking adopted, 22% said very satisfied, 11% were undecided or equally dissatisfied at 11% whereas 3% were very dissatisfied respectively. This was an implication that the staffs understanding with relation to Automated Teller Machine banking and associated aspects were being done in the right way.

Agreement level on effect of Automatic Banking on performance of the Commercial Banks

As per the findings, majority of the respondents were in agreement that; the management has visibility and a deep understanding of all Electronic banking related issues in the bank and is in the forefront in ensuring timely resolutions as reflected by a mean score of 3.27, the use of ATMs by our customers replaced labor intensive and paper-based banking methods leading to quicker services access as shown by a mean score of 3.22, the Electronic banking approach put in place is centered on targeted cross selling of more products and services to identified and prioritized customers at a quicker rate as reflected by a mean score of 3.05, there is a policy in place guiding the electronic banking activities adopted and ensuring the overall growth in performance as reflected by a mean score of 3.00 and that ATM banking allows customer flexibility and convenience thereby increasing their satisfaction levels as reflected by a mean score of 2.95 respectively. The results agree with the literature reviewed by Hans and Kamath (2013) that ATMs are electronic devices that allow the bank accounts holders to access their funds and make deposits without the need to interact with bank employees. This alternative means of banking has been in existence for the longest time especially in developed nations. This makes it more acceptable and widely used alternative banking channel.

Whether alternative Banking Channels have promoted the overall performance of the Commercial Bank

The study wanted to establish whether respondents think that alternative banking channels have promoted the overall performance of the commercial bank they work for. As per the findings, majority of the respondents 88% agreed that alternative banking channels have promoted the overall performance of the commercial bank they work for whereas only a few 12% who stated that alternative banking channels have not promoted the overall performance of the commercial bank they work for.

The extent performance measures have been enhanced by the adoption and use of alternative Banking Channels by the Commercial Banks

Adjusted R squared is coefficient of determination that shows the changes in the dependent variable due to variations in the independent variables. The adjusted R value was at 0.803, showing a change of 80.3% on dependent variable. This shows that the model was a good fit in; Agency Banking, Mobile Banking, Internet Banking and ATM banking. In addition, the adjusted multiple coefficient of determination of 0.803 indicates the high joint impact of the explanatory variables. It means that 80.3% of changes in Performance of Commercial Banks are explained by the changes in Agency Banking, Mobile Banking, Internet Banking and ATM banking whereas 19.7% of changes in Performance of Commercial Banks are explained by other factors such as location and demographic factors among others. This can be confirmed by the high figure of F value of 430.1 which implies a high joint explanatory ability. Alternative banking methods now exist for this purpose. The results therefore display a clear picture that in an effort to also reach new customers, banks have embraced alternative banking methods which have also seen a rise in new payment methods. Alternative banking methods are characterized by modern banking strategies including core banking, mobile banking, both credit and debit cards, bank automation, e-banking and ATMs (Chris et.al, 2005).

Table 1: Analysis of Variance (ANOVA)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	166.214	3	27.702	3437.147	.000[b]
	Residual	1.072	133	.008		
	Total	167.286	136			

a. Dependent Variable: Performance of Commercial Banks

b. Predictors:(Constant), Agency Banking, Mobile Banking, Internet Banking and ATM banking

The findings of the ANOVA are as reflected in the above Table 1. The p-value was at 0.000 which is lower than 0.05. from the regression analysis findings, the model was significant in predicting the Performance of Commercial Banks at 95% confidence level based on predictor variables Agency Banking, Mobile Banking, Internet Banking and ATM banking.

Table 2: Pearson Coefficient Correlations

		Agency Banking	Mobile Banking	Internet Banking	ATM banking
Agency Banking	Spearman's Correlations	1	.241**	.386**	.359**
	Sig. (2-tailed)		.004	.000	.000
	N	173	173	173	173
Mobile banking	Spearman's Correlations	.241**	1	.486**	.441**
	Sig. (2-tailed)	.004		.000	.000
	N	173	173	173	173
Internet banking	Spearman's Correlations	.386**	.486**	1	.927**
	Sig. (2-tailed)	.000	.000		.000
	N	173	173	173	173
ATM banking	Spearman's Correlations	.359**	.441**	.927**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	173	173	173	173

** Significance level at 95% Level of Confidence

The researcher used Pearson's correlation coefficient test at alpha level 0.05 to find the relationship between each of the independent variables. Table 2 indicates a significant association among the study's independent variables Agency Banking, Mobile Banking, Internet Banking and ATM banking (r=0.750, p=0.000). Correlation analysis done also indicates a significant association at the 0.05 level (2-tailed).

As shown in table 3, the figures in the above table were generated through the use of SPSS data analysis and established the following regression equation:

$$\mathbf{Y = 3.752+0.899V_1 + 0.002V_2 + 0.580V_3 + 0.108V_4}$$

Table 3: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	3.752	.024		154.661	.010
Agency Banking	0.899	.009	1.226	99.883	.000
Mobile Banking	0.002	.003	.006	.708	.040
Internet banking	0.580	.032	3.489	81.314	.012
ATM Banking	0.108	.032	4.688	7.736	.030

a. Dependent Variable: Performance of Commercial Banks

The study found that when independent variables were kept constant at zero, Performance of Commercial Banks will be at 3.752. A rise by a unit in agency banking will result to a rise in Performance of Commercial Banks by a factor of 0.899; a rise by a unit in mobile banking will result to a rise in Performance of Commercial Banks by a factor of 0.002, a rise by a unit in internet banking will result to a rise in Performance of Commercial Banks by a factor of 0.580, while a rise by a unit in ATM banking will lead to increase in Performance of Commercial Banks by a factor of 1.108. The Table 12 also shows that the V variables (independent variables), V1= Agency Banking, V2= Mobile banking, V3= Internet Banking, V4= ATM banking with Y= Performance of Commercial Banks were significant at 5% level of significance and 95% level of confidence at .000, .040, .012 and .030 respectively. The results being positive clearly indicates and confirms with the literature that alternative banking strategies are used to give banking services to clients. Alternative banking channels offer alternatives to traditional banking with technological advancements (Guinaliu, 2013). According to Munyoki (2013), Saluja and Wadhe (2015), Ndungu (2015) and Kambua (2015) alternative banking channels affects the banks performance positively.

DISCUSSION OF FINDINGS

The study equally established that the banks' management has visibility and a deep understanding of all Agency banking related challenges and is on the forefront in ensuring timely resolution. Further, banks have put policies in place guiding the Agency banking activities adopted and ensuring performance growth. Agency banking leads to lower operational costs and improved bank performance. The use of agency banking ensures that bank customers access banking services especially those that are cash related from the retail agents. The findings concur with those by Kiragu, Aduda and Ndwiga (2013) who pointed out that the use of agents allows for the ease of congestion in banking halls as the agents are able to serve some customers at the local levels. Further agents are able to reach the unreached who are often found in hard to reach geographical locations.

Alerts given by cell phones and smart phone apps assist customers to make informed choices as reflected by majority. Through mobile banking, commercial banks have benefited from the decreased cost of service delivery to their clients. Mobile banking has enhanced consumer convenience for one can access the services and products anywhere in Kenya. Mobile banking has led to quicker access to banking services by removing location challenges, and that; banks use mobile banking to increase their reach to many customers and also in a bid to offer convenience to customers while improving their profitability by offering a variety of banking and wealth management services. According to the literature reviewed and despite the positive responses on benefits of the mobile banking alternative banking channel use, Mburu (2013) still reported that customers of mobile banking are still facing numerous challenges related to this distribution channel. The banks do benefit from the decreased operational costs and the increased reach of customers in hard to reach locations

Majority were in agreement that; the internet banking sales are driven by the essence of internet and social media platforms. Banks have policies in place guiding the internet banking activities as well as ensuring growth. The study further found out that internet banking reduces the costs of operations as well as accelerates the banks performance. The payback duration of internet banking investments is less than ten years hence improves the performance for the banks. Incomes deduced from internet banking favorably affects bank’s performance. This concurred with Karen et al, (2010) who revealed that compared to other banking methods, internet banking is more flexible and convenient for the customer.

The study established that majority of the respondents agreed that; the banks’ management has visibility and a deep understand of electronic banking issues facing customers and they are in the forefront in ensuring timely resolutions. The use of ATMs by customers replaced labor intensive and paper-based banking methods leading to access to quicker services. The study further found out that electronic banking approach put in place targets cross selling of more products and services to identified and prioritized customers at a faster rate. The banks have policies in place providing direction the electronic banking activities and ensuring sustained growth in performance. ATM banking allows customer flexibility and convenience thereby increasing their satisfaction levels. The results agree with the literature reviewed by Hans and Kamath (2013) that ATMs are electronic devices that allow the bank accounts holders to access their funds and make deposits without the need to interact with bank employees.

Finally, majority of the respondents said that the adoption and use of alternative banking channels in the commercial banks had led to; increased Profitability, reduced Cost, increased bank’s Assets, increased Market Share/ Customer Base and also increased Customers Satisfaction. The study found out that a rise in performance of each independent variable; Agency Banking, Mobile Banking, Internet Banking and ATM banking will result to a rise in overall Performance of Commercial Banks.

CONCLUSSION

The study concluded that agency banking influences performance of Commercial banks. The agency banking approach put in place is targets cross selling of more products and services to identified and prioritized customers at a faster rate. Banks have policies in place leading the Agency banking activities adopted and ensuring sustained growth in performance. Agency banking leads to lower operational costs and improved bank performance.

The study concluded that Mobile banking influences performance of Commercial Banks. Mobile banking has benefitted commercial banks from the decreased cost of delivery of services to their clients, mobile banking has enhanced consumer convenience for one can access the services and products anywhere in Kenya. Mobile banking gives banks access to hard to reach locations while at the same time enabling in improving customer convenience. The mobile banking approaches adopted by commercial bank involves selling more products or services to prioritized customers at a faster rate.

The study concluded that internet banking influences performance of Commercial Banks. Internet banking reduces the costs of operations and improves the banks performance, the payback duration of internet bank investments is lower than ten years hence improved the banks' performance. Incomes deduced from internet banking favorably affects bank's performance. The Internet banking approach put in place by banks targets cross selling of more products and services to identified and prioritized customers at a faster rate.

On the influence of ATM Banking on Performance of Commercial Banks, the study concluded that most staff were satisfied that with the ATM banking adopted by their respective organizations. The electronic banking approaches employed by the banks targets cross selling more products or services to prioritized customers at a faster rate. There is a policy in place guiding the electronic banking activities adopted and sustaining growth in performance. ATM banking allows customer flexibility and convenience thereby increasing their satisfaction levels.

RECOMMENDATIONS

The researcher recommends that the leaders of the studied organizations accelerate the focus on expansion and establishment of more agency banking outlets in Nairobi city to improve accessibility of services and efficiency. The study also recommends that the managers and stakeholders responsible for internet banking and mobile banking take it as an initiative to educate their esteemed customers on the usage of their mobile phones and computers in accessing banking services. Further, the study recommends that increased number of products and services offered across the alternative banking channels to mirror the services and products that customers access when they visit the physical banking halls. The study also recommends a review of the pricing models adopted by the banks to enable customers' access products and service on alternative banking channels affordably. The study recommends for accelerated interoperability of the alternative banking channels across all commercial banks.

This study recommends that further studies be done to establish other effects of alternative banking channels besides the performance of commercial banks studied. On the same end, further studies should be done to establish whether the same efficiency on the alternative banking channels is being experienced by the commercial banks outside Nairobi County. In this case, similar study should be done which should include banks from outside Nairobi County.

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